Impact of Foreign Direct Investment on Total Factor Productivity in Vietnam

Subhasis Bera
Associate Professor
FORE School of Management
New Delhi – 110016
e-mail: sbera@fsm.ac.in

Abstract

Global interdependence alters international business landscape. To sustain economic growth in the global competitive market, developing countries are increasingly relying on foreign investment and technology transfer as important vehicles to catch up with the advanced countries. While in the theoretical model, FDIs are expected to have positive impact on the local economy, empirical evidences are doubtful on the same especially in case of developing economies. With a promising economic growth and with its new market oriented policies, Vietnam attracted increasing amount of FDI in recent years. The study, using OLS and Fixed effect and GLS Random effect model for sector wise and ownership wise panel model, found that there is no significant impact of FDI on Total Factor Productivity (TFP) suggesting a more detailed FDI strategies are required to increase TFP and to sustain economic growth.

Key Words: Foreign Direct Investment, Total Factor Productivity, Productivity of Labor, Productivity of Capital, Economic Growth

Acknowledgment: The infrastructural support provided by FORE School of Management, New Delhi is gratefully appreciated.